

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;  
Nora Mead Brownell, and Suedeen G. Kelly.

PJM Interconnection, L.L.C.

Docket No. ER06-319-000

ORDER ACCEPTING AND SUSPENDING FILING,  
SUBJECT TO REFUND AND CONDITIONS

(Issued February 9, 2006)

1. On December 13, 2005, PJM Interconnection, L.L.C. (PJM) submitted for filing, pursuant to section 205 of the Federal Power Act (FPA),<sup>1</sup> revisions to Schedule 2 of the PJM's open access transmission tariff (OATT) to reflect the addition of Allegheny Energy Supply Company, LLC's (AE Supply) and Monongahela Power Company's (Mon Power) (Allegheny Power) revenue requirements associated with their ownership share of the Bath County generation facility (Bath Facility) for the provision of cost-based Reactive Support and Voltage Control from Generation Sources Service (reactive power) in the PJM region.<sup>2</sup> As discussed below, we will accept and suspend the effectiveness of PJM's filing, to become effective November 1, 2005, as requested, subject to refund and conditions as discussed in the body of this order.

**Background**

2. The availability of reactive power allows PJM to maintain transmission voltages on its system within acceptable limits. Schedule 2 of PJM's OATT provides that PJM shall pay each generation owner providing reactive power an amount equal to the generation owner's reactive power revenue requirement approved by the Commission. PJM states that its filing includes amendments to Schedule 2 of its tariff to reflect Allegheny Power's monthly and annual revenue requirements as accepted by the Commission in Docket No. ER05-1270-000.<sup>3</sup>

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<sup>1</sup> 16 U.S.C. § 824d (2000).

<sup>2</sup> PJM FERC Electric Tariff, Sixth Revised Vol. No. 1, Twenty-First Revised Sheet No. 230 and Sixth Revised Sheet No. 230B.

<sup>3</sup> See *Monongahela Power Company and Allegheny Energy Supply Company, LLC*, 113 FERC ¶ 61,172 (2005).

3. In Docket No. ER05-1270-000, the Commission accepted the revenue requirements for reactive power for Allegheny Power's share of the Bath Facility.<sup>4</sup> PJM states that the amended Schedule 2 it has filed in this proceeding allocates Allegheny Power's revenue requirement associated with the Bath Facility to the APS (Allegheny) transmission zone. PJM argues that it has allocated these costs to the Allegheny transmission zone based on division of ownership and the electrical connection of the Bath Facility.<sup>5</sup> PJM contends that it is reasonable to allocate each owner's share of the Bath Facility reactive power revenue requirements to its own (or its affiliates) respective transmission zone.

#### **Notice of Filing, Interventions, Protests and Answers**

4. Notice of PJM's, filing was published in the *Federal Register*, 71 Fed. Reg. 107 (2006), with interventions or protests due on or before January 3, 2006. Motions to intervene were timely filed by AE Supply and Dominion. Dominion filed comments supporting PJM. Allegheny Power filed a timely motion to intervene and protest. Allegheny Power filed an answer to Dominion's comments. Dominion filed an answer to Allegheny Power's protest.

5. Allegheny Power protests the allocation of the costs to the Allegheny transmission zone, rather than the Dominion transmission zone. Allegheny Power argues that PJM's allocation of these costs to the Allegheny zone in this case is contrary to: (i) PJM's OATT, (ii) electrical facts, and (iii) controlling Commission precedent. Allegheny Power contends that the Commission held in an earlier proceeding involving a jointly-owned facility that PJM's allocation of 100 percent of the reactive power revenue requirement based solely on geography was dictated by PJM's OATT which requires allocation of costs on a zonal level based on the location of the plant.<sup>6</sup> Allegheny Power asserts that the Commission has allowed PJM to allocate reactive power costs to a zone other than where the generator was physically located in only one case, *PJM/Rock Springs*,<sup>7</sup> when it was clear that a nearby zone obtained 100 percent of the reactive power benefits from the

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<sup>4</sup> Dominion did not seek recovery for its share of the Bath Facility.

<sup>5</sup> Allegheny Generating Company (AGC) owns approximately 40 percent and Dominion owns approximately 60 percent of the Bath Facility. AGC is a subsidiary of AE Supply and is owned in part by AE Supply and in part by Mon Power.

<sup>6</sup> Citing PJM FERC Electric Tariff, Sixth Revised Vol. No. 1, Original Sheet No. 228A and *PJM Interconnection, L.L.C.*, 104 FERC ¶ 61,031 at P 11 (2004) (PJM/Safe Harbor).

<sup>7</sup> Citing *PJM Interconnection, L.L.C.*, 112 FERC ¶ 61,058 (2005) (PJM/Rock Springs).

generator. Allegheny Power states that the Commission in PJM/Rock Springs found it significant that PJM operationally modeled the generation facility to the nearby zone for determining locational prices and an interconnection agreement assigned all of the reactive power benefits of the facility to the nearby zone. Allegheny Power states that PJM models the Bath Facility in the Dominion zone.

6. Allegheny Power states that the Bath Facility is located in Warm Springs, Virginia in the Dominion zone of the PJM control area. Allegheny Power states that there are two 500kV generator lead lines from the Bath Facility to the transmission grid. Each lead line is owned 60 percent by Dominion and 40 percent by Allegheny Generating Company (AGC). One of the lead lines connects to the Lexington substation and the other lead line connects to the Valley substation, both of which are in the Dominion zone. The lead line to the Lexington substation connects only to the Dominion system. The lead line to the Valley substation connects to a jointly owned 500 kV line that connects several other substations in both the Allegheny zone and Dominion zone.<sup>8</sup> Allegheny Power claims that the Pruntytown substation is the nearest point to the Bath Facility where Allegheny Power serves customers, which is approximately one hundred and sixty miles from the Bath Facility. Allegheny Power claims that there is no reason to allocate reactive power costs from a generation facility to an affiliated transmission owner in a remote zone when reactive power benefits are localized and in all likelihood provide no benefit to transmission in that zone.

7. In comments supporting the filing, Dominion contends that PJM's allocation to the Allegheny transmission zone is proper. Dominion contends that PJM allocates reactive power costs based on the zone in which the generator is "Located" which is the zone which the generator is electrically connected. Dominion contends that the Bath Facility is directly connected to Allegheny Power's transmission system using transmission facilities that are jointly owned by Dominion and AGC, an affiliate of Allegheny Power. Dominion contends that, until Dominion joined PJM, the Dominion and Allegheny control areas operated as if AGC's share of the Bath Facility's output was electrically located in the Allegheny Power control area. Dominion asserts that even though the Bath Facility is a single plant the reactive power cost should be allocated the same as if the Bath Facility were two side-by-side facilities, one owned by Dominion and connected to the Dominion transmission system and the other owned by AGC and connected to the Allegheny Power transmission system. Dominion insists Allegheny Power has derived the benefit of the reactive output of AGC's share of the Bath Facility, since the reactive power output flows on Allegheny Power lines to support Allegheny Power's loads. Dominion contends that between July 1996 and December 1, 2003, the effective date of

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<sup>8</sup> See Transmission Facilities Map, Exhibit No. AYE-2 of Allegheny Power's protest.

Allegheny Power's filing to recover its reactive power costs from PJM, Allegheny Power included the reactive power costs of AGC's share of the Bath Facility in its Schedule 2 costs.

8. Dominion claims that the allocation of the Bath Facility's reactive power costs to the Allegheny Zone is consistent with Commission precedent. Dominion states that in *PJM/Rock Springs* the Commission held that the issue of where the facility was located, as the term is used in PJM's Schedule 2, is determined based on the electrical connection of the facility and not based on its geographic location. Dominion states that in *PJM/Safe Harbor* the Commission accepted PJM's allocation of the reactive power costs of the Safe Harbor plant solely to PPL Electric Utilities Corporation (PPL), despite the fact that a portion of the plant's output was committed to Baltimore Gas and Electric Company (BG&E). BG&E's transmission facilities were not directly connected to the plant, but were connected to the plant through PPL's transmission facilities.

## **Discussion**

### **A. Procedural Matters**

9. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2005), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2005), prohibits answers to protests unless otherwise ordered by the decisional authority. We are not persuaded to accept the answers filed by Allegheny Power and/or Dominion.

### **B. Commission Determination**

10. The Commission will accept and suspend PJM's filing, subject to refund and to the condition that PJM file within 30 days of this order a justification for its allocation of costs. Schedule 2 of PJM's OATT does not provide an express methodology for determining the zone in which a generator producing reactive power is located.<sup>9</sup> In prior cases, PJM has proposed, and the Commission has utilized, several indicia to determine how to allocate reactive power:<sup>10</sup> the zone to which the facility is interconnected;<sup>11</sup> and

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<sup>9</sup> The OATT refers to "monthly revenue requirements for each generator located in a Zone," but it does not proscribe any tests for when a generator is deemed to be located in a zone.

<sup>10</sup> See *PJM/Safe Harbor* at P 11.

<sup>11</sup> See *PJM/Rock Springs*.

the zone that benefits from the reactive power.<sup>12</sup> PJM points to no case in which reactive power costs have been split among zones. In this case, it is not clear that allocation of the reactive power to the Allegheny zone is consistent with these indicia. The Bath Facility is located within the Dominion zone, and PJM's operational model appears to indicate that the Bath Facility is connected to the Bath County substation located in the Dominion zone.<sup>13</sup> Further, it does not appear that customers outside the Dominion zone benefit from the reactive power generated from this plant. As the Commission found in Order No. 888,<sup>14</sup> reactive power service is necessary to the provision of basic transmission service within every control area and reactive power cannot be transmitted for significant distances, so that the local transmission provider has to supply reactive power from generation sources.<sup>15</sup> According to Allegheny Power, the Allegheny zone is more than 100 miles from the Bath Facility via transmission lines.

11. Because it is unclear whether PJM has appropriately allocated the reactive power revenue requirements under its OATT, we will accept PJM's filing conditioned on PJM filing with the Commission more detailed information to support its proposal to amend Schedule 2 to allocate the Allegheny Power's revenue requirement for the Bath Facility to the Allegheny transmission zone, within 30 days of the date of issuance of this order.

12. Based on a review of the filing, the Commission finds that the proposed filing has not been shown to be just and reasonable, and may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. Accordingly, the Commission will accept and suspend the filing, to become effective November 1, 2005, subject to refund and the conditions of this order.

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<sup>12</sup> *Id.*

<sup>13</sup> See *PJM/Safe Harbor* at P 5.

<sup>14</sup> *Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities*, Order No. 888, FERC Stats. & Regs. ¶ 31,036 at 31, 716 (1996), *order on reh'g*, Order No. 888-A, FERC Stats. & Regs. ¶ 31,048 (1997); *order on reh'g*, Order No. 888-B, 81 FERC ¶ 61,248 (1997), *order on reh'g*, Order No. 888-C, 82 FERC ¶ 61,046 (1998), *aff'd in relevant part sub nom. Transmission Access Policy Study Group v. FERC*, 225 F.3d 667 (D.C. Cir. 2000), *aff'd sub nom. New York v. FERC*, 535 U.S. 1 (2002).

<sup>15</sup> See *Id.* See also *Ohio Edison Co.*, 105 FERC ¶ 61,372 at P 5, n.5 (2003) ("Reactive power can be transmitted only over relatively short distances, and thus must be supplied as needed from nearby generators or capacitor banks.").

**C. Waivers**

13. PJM requests a waiver of the Commission's 60-day prior notice requirements to permit its filing to become effective on November 1, 2005, consistent with the effective date of the Applicants' reactive power revenue requirements accepted by the Commission in Docket No. ER05-1270-000. The Commission finds that good cause exists to grant the requested waiver.

14. PJM also requests waiver of the posting requirements, so as to permit electronic service rather than paper service. PJM contends that waiver of paper service is consistent with the Commission's decision to establish electronic service as the default method of service on service lists maintained by the Secretary of the Commission. PJM stated that it posted this filing to the FERC section of its internet site, and sent e-mail notification to all PJM members and all state utility regulatory commission in the PJM Region. The Commission grants the requested waiver subject to PJM providing paper copies consistent with the Commission's regulations to anyone who requests a paper copy.

**The Commission orders:**

(A) PJM's tariff filing is accepted and suspended, to become effective November 1, 2005, as requested, subject to refund and the conditions set forth in the body of this order.

(B) PJM is required to make a compliance filing within 30 days of the issuance of this order.

(C) PJM's requests for waiver are granted as discussed in the body of this order.

By the Commission.

( S E A L )

Magalie R. Salas,  
Secretary.